



December 19, 2005

## Highlights of the Conference Report to Accompany S. 1932, Deficit Reduction Omnibus Reconciliation Act of 2005

*On December 19, the conference report, H. Rept. 109-362, was filed.*

### Noteworthy

- By law, debate on a budget reconciliation conference report is limited to 10 hours.
- According to the Congressional Budget Office (CBO), S. 1932 would reduce federal outlays by \$39.675 billion over the 2006-2010 period. This level of outlay reductions is \$4.678 billion more than the Senate-passed version, but \$10.212 billion less than the House-passed version.
- The conference report is the first deficit-reduction reconciliation bill since 1997, making it the first step in controlling runaway entitlement spending since then.
- The conference report provides net Medicaid savings of \$4.759 billion over 5 years and net Medicare savings of \$6.412 billion over 5 years. The bill also provides \$2.0 billion for Katrina-related health care costs.
- S. 1932 does **not** contain any provision affecting the Food Stamp program or the Arctic National Wildlife Refuge (ANWR).
- On December 19, the conference report passed the House of Representatives by a vote of 212-206.

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## Highlights

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(amount in billions)

	<u>Conference Report</u>
<b>Title I – Agriculture</b>	<b>-\$2.709</b>
<b>Title II – Housing and Deposit Insurance</b>	<b>-\$0.520</b>
<b>Title III – Digital TV and Public Safety</b>	<b>-\$7.383</b>
<b>Title IV – Transportation</b>	<b>-\$0.156</b>
<b>Title V – Medicare</b>	<b>-\$6.412</b>
<b>Title VI – Medicaid and SCHIP</b>	<b>-\$4.759</b>
<b>Title VII – Human Resource and Other</b>	<b>-\$1.592</b>
<b>Title VIII – Education and Pension Benefit</b>	<b>-\$16.286</b>
<b>Title IX – LIHEAP (spending)</b>	<b>\$0.625</b>
<b>Title X – Judiciary</b>	<b>-\$0.483</b>
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<b>Total 5-Year Reduction in Federal Outlays</b>	<b>-\$39.675</b>

The Deficit Reduction Omnibus Reconciliation Act of 2005 has three principal goals:

- 1) To begin a longer-term effort at slowing the growth of entitlement spending, which now consumes about 54 percent of the total budget, and will rise to 62 percent in 10 years if no action is taken.
- 2) To stimulate reform of entitlement programs, many of which are outdated, inefficient, and excessively costly.
- 3) To provide a down-payment toward hurricane recovery and reconstruction costs. Congress has already provided over \$70 billion in recovery funding, and more funding is expected in the near future.

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## Bill Provisions

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### **Title I—Agriculture**

The Conference Report does not include the Senate-passed language to reduce by 2.5 percent all payments that producers receive for the 2006 through 2010 crop years.

#### **Subtitle A – Commodity Programs**

*Savings: \$736 million between FY 2006 and FY 2010*

National Dairy Market Loss Payments – The conference report would extend the MILC program through FY 2007 but does not contain the 2.5 percent cut to payments received by dairy producers as in the Senate-passed version, which adds \$998 million spending.

Advance Direct Payments – This conference report would reduce the amount a producer may receive in an advance direct payment from the current maximum of 50 percent to 40 percent for the 2006 crop year, and to 22 percent for the 2007 crop year. The Senate-passed version would have reduced the advance direct payment to 29 percent for each of the 2007 through 2011 crop years.

Cotton Competitiveness – The conference report would terminate the Cotton Step 2 program, effective on Aug 1, 2006. This is the same as the Senate-passed version.

### **Subtitle B – Conservation**

*Savings: \$934 million between FY 2006 and FY 2010*

Watershed Rehabilitation – The conference report would cancel the authority to obligate fiscal year funds not obligated as of October 1, 2006.

Conservation Security Program – This conference report would limit CSP expenditures to \$1.954 billion for FY 2006 through FY 2010 and reduce the expenditure cap to \$5.65 billion for FY2006 through FY2015. The conference report contains the same language as Senate-passed version, except the funding cap for FY2006 and FY2015 is reduced by \$387 million instead of \$837 million as in the Senate-passed version. The conference report would achieve the same \$821 million in savings for 2006-2010.

Environmental Quality Incentives Program – The conference report would extend the program to 2010 and reduce the expenditure cap to \$1.27 billion for each fiscal year between FY 2007 – FY 2009, and to \$1.3 billion in FY 2010.

### **Subtitle C – Energy**

*Savings: \$20 million between FY 2006 and FY 2010*

Renewable energy systems and energy efficiency improvements program – is amended by striking “2007” and inserting “2006 and \$3 million for fiscal year 2007.” This provision would save \$20 million between FY 2006 and FY 2010.

### **Subtitle D- Rural Development**

*Savings: \$399 million between FY 2006 and FY 2010*

Rural Broadband Program – Cancels authority to obligate fiscal year funds not obligated as of October 1, 2006.

Value-Added Agricultural Product Market Development Grants – Cancels authority to obligate fiscal year funds not obligated as of October 1, 2006.

Rural Business Investment Program – Cancels authority to obligate fiscal year funds not obligated as of October 1, 2006 and terminates the program’s funding for Fiscal Year 2007 and subsequent years.

Rural Business Strategic Investment Grants – Cancels authority to obligate fiscal year funds not obligated as of October 1, 2006.

Rural Firefighters and Emergency Personnel Grants – Cancels authority to obligate fiscal year funds not obligated as of October 1, 2006 and terminates the program’s funding for Fiscal Year 2007.

### **Subtitle E – Agriculture Research Extension & Education Grants**

*Savings: \$620 million between FY 2006 and FY 2010*

Initiative for Future Food and Agriculture Systems – The conference report would cancel the program’s unspent funds for FYs 2007-09.

## **Title II—Housing and Deposit Insurance**

### **Subtitle A – Asset Disposition**

*Savings: \$270 million between FY 2006 and FY 2010*

The conference report contains the Senate-passed language that would end the Federal Housing Administration’s permanent authority to sell properties (and loans) at below-market prices.

### **Subtitle B – Deposit Insurance**

*Savings: \$250 million between FY 2006 and FY 2010*

The conference report would merge the Bank Insurance Fund (BIF) and the Savings Association Insurance Fund (SAIF) to create a new Deposit Insurance Fund (DIF). The conference report would also give the Federal Deposit Insurance Corporation (FDIC) more flexibility in determining the appropriate size of the insurance fund and in setting the premiums to be paid by banks and thrifts. The conference report would change current FDIC policies to reflect inflation and the growing size of deposits by increasing the retirement fund (Individual Retirement Account) size that the FDIC can insure from \$100,000, under the current system, to \$250,000. The conference report would also allow the FDIC, at its discretion, to adjust coverage limits for checking, savings, retirement and other individual deposit accounts for inflation in 2010 and every five years thereafter.

The bulk of the savings from the bill is expected to come from new risk-based net assessments on banks and thrifts. The conference report contains a provision that would provide a one-time credit for depository institutions that had made deposit insurance payments in the past to recapitalize the funds in the wake of the savings and loan crisis. The conference report values this credit at the amount the FDIC could collect if it

imposed an assessment of 10.5 basis points (0.105 percentage points) on the combined assessment base of the BIF and SAIF as of December 31, 2001. This is slightly higher than the 9 basis points (0.09 percentage points) used to value the credit in the Senate-passed language.

As a result of the slightly larger credit (and somewhat lower future assessments), the conference report would deliver \$50 million less in net savings for FY 2006 –FY 2010 than the Senate-passed language.

### **Title III—Digital Television Transition and Public Safety**

#### **Auction of Analog Spectrum and One-time License Fee**

*Savings: \$10.01 billion between FY 2006 and FY 2010*

**Hard Date for Digital TV Transition and Advance Auction** – The conference report would require over-the-air TV broadcasters to return their license to use a certain frequency of spectrum for analog transmissions by February 17, 2009, and directs the FCC to begin an advance auction of those licenses by January 28, 2008. The Senate-passed language would have required broadcasters to return their licenses by April 7, 2009.

**Extension of the Federal Communications Commission’s auction authority** – The conference report would extend the FCC’s authority to auction spectrum from September 30, 2007 to September 30, 2011. The Senate-passed language would have extended this authority until September 30, 2009.

**Supplemental License Fees** – This section directs the FCC to assess a one-time, “extraordinary” fee in the aggregate amount of \$10 million on license holders in 2006 to be deposited in the Treasury, which is the same as the Senate-passed language.

#### **Digital Transition and Public Safety Fund**

**Digital-to-Analog Converter Box Program** – The conference report would create a program to help consumers purchase digital-to-analog converter boxes. The payments for such boxes would not exceed \$990 million, as compared to \$3 billion in the Senate-passed language. The conference report would allow \$1.5 billion to be spent on the program if the Assistant Secretary of Commerce sends a letter to Congress certifying that the \$990 million will be insufficient to meet household demand.

**Emergency Communications Program** – The conference report would direct the Commerce Department to spend up to \$1 billion of auction proceeds to establish a program that will help pay for the costs of purchasing interoperable emergency communications equipment for first responders. This is the same amount as contained in the Senate-passed language.

**New York City Digital Transition** – The conference report would direct the Commerce Department to spend \$30 million to reimburse the Metropolitan Television Alliance for the cost of a temporary digital television broadcast system to serve the NYC area until the Freedom Tower is completed.

**Low-Power Television Programs**– The conference report would direct the Commerce Department to spend up to \$10 million to administer a program to compensate low-power TV stations for the cost of purchasing digital-to-analog conversion device. The conference report would also direct the Commerce Department to spend up to \$65 million during FY 2009 to administer a program to partially reimburse low-power TV stations for the cost of equipment to upgrade from analog to digital signals in certain rural communities.

**National Alert System** – The conference report would direct the Commerce Department to spend \$156 million of auction proceeds from FY 2007 to FY 2012 to implement a national alert system \$50 billion of which shall be used to create a tsunami warning and coastal vulnerability program.

**E-911 Program** – The conference report directs the Commerce Department to spend up to \$43.5 million in auction proceeds to implement the ENHANCE 911 Act of 2004 (P.L. 108-494), which would provide grants to improve emergency services in responding to requests made from wireless phones.

**Essential Air Service** – The conference report directs the Commerce Department to spend (through the Department of Transportation) an additional \$30 million in FY2007 and FY 2008 in auction proceeds on the Essential Air Service (EAS) Program. The EAS helps provide service to rural communities throughout the country.

## **Title IV—Transportation**

The conference report omits the Senate-passed changes to the Surface Transportation program. Instead it would generate \$156 million in deficit reduction by extending and increasing vessel tonnage duties.

## **Title V—Medicare**

The conference report includes a net savings of \$6.40 billion from the Medicare program over five years. (The Senate and House Bill section numbers are provided below for reference only – the conference provision may not be identical to either the Senate or House provision.)

### **Subtitle A**

- *Section 5001 - Hospital Quality Improvement* (Senate Bill Section 6110, No equivalent House Bill provision) **Savings of \$300 million**

- *Section 5002 – Clarification of Determination of Medicaid Patient Days for DSH Computation, Savings of \$1.2 billion*
- *Section 5003 – Improvements to the Medicare-Dependent Hospital (MDH) Program (Senate Bill Section 6101, No equivalent House Bill provision), Savings of less than \$50 million.*
- *Section 5004 – Reduction in Payments to Skilled Nursing Facilities for Bad Debt (Senate Bill Section 6102, No equivalent House Bill provision), Savings of \$100 million*
- *Section 5005 – Extended Phase-In of the Inpatient Rehabilitation Facility Classification Criteria (75 Percent Rule) (Senate Bill Section 6103, No equivalent House Bill provision), Cost of \$100 million*
- *Section 5006 – Development of a Strategic Plan Regarding Investment in Specialty Hospitals (Senate Bill Section 6104, No equivalent House Bill provision), Savings of less than \$50 million.*
- *Section 5007 – Medicare Demonstration Projects to Permit Gainsharing Arrangements, Savings of less than \$50 million.*
- *Section 5008 – Post-Acute Care Payment Reform Demonstration, Savings of less than \$50 million.*

#### **Subtitle B**

- *Section 5101 – Beneficiary Ownership of Certain Durable Medical Equipment (DME) (Senate Bill Sections 6109 and 6116, No equivalent House Bill provision), Savings of \$700 million*
- *Section 5102 – Adjustments in Payments for Imaging Services, Savings of \$2.8 billion*
- *Section 5103 – Limitation on Payments for Procedures in Ambulatory Surgical Centers, Savings of \$300 million*
- *Section 5104 – Update for Physicians' Services for 2006 (Senate Bill Section 6105, No equivalent House Bill provision), Cost of \$7.3 billion*
- *Section 5105 – Three-Year Transition of the Hold Harmless Payments for Small Rural Hospitals Under the Prospective Payment System for Hospital Outpatient Department Services (Senate Bill Section 6106, No equivalent House Bill provision), Cost of \$100 million*

- *Section 5106 – Update to the Composite Rate Component of the Basic Case-Mix Adjusted Prospective Payment System for Dialysis Services* (Senate Bill Section 6107, No equivalent House Bill provision), **Cost of \$500 million**
- *Section 5107 – Revisions to Payments for Therapy Services* (Senate Bill Section 6108, No equivalent House Bill provision), **Cost of \$500 million**
- *Section 5111 – Accelerated Implementation of Income-Related Reduction on Part B Premium Subsidy*, **Savings of \$1.6 billion**
- *Section 5112 – Medicare Coverage of Ultrasound Screening for Abdominal Aortic Aneurysms* (Senate Bill Section 6117, No equivalent House Bill provision), **Cost of \$200 million**
- *Section 5113 – Improving Patient Access to, and Utilization of, Colorectal Cancer Screening Under Medicare* (Senate Bill Section 6118, No equivalent House Bill provision), **Savings of less than \$50 million.**
- *Section 5114 – Delivery of Services at Federally Qualified Health Centers* (Senate bill Section 6115, No equivalent House Bill provision), **Savings of less than \$50 million.**
- *Section 5115 – Waiver of Part B Late Enrollment Penalty for Certain International Volunteers* (Senate Bill Section 6114, No equivalent House Bill provision), **Savings of less than \$50 million.**

### **Subtitle C**

- *Section 5201 – Home Health Payments* (Senate bill Section 6110, No equivalent House Bill provision), **Savings of \$2.0 billion**
- *Section 5202 – Revision of Period for Providing Payment for Claims that are not Submitted Electronically*, **Savings of \$100 million**
- *Section 5203 – Timeframe for Part A and Part B Payments* (Senate Bill Section 6112(b), No equivalent House Bill provision), **Savings of less than \$50 million.**
- *Section 5204 – Medicare Integrity Program Funding*, **Cost of \$100 million**

### **Subtitle D**

- *Section 5301 – Phase-Out of Risk Adjustment Budget Neutrality In Determining the Amount of Payments to Medicare Advantage Organizations* (Senate Bill Section 6111, No equivalent House Bill provision), **Savings of \$6.5 billion**



- *Section 5302 – Rural PACE Provider Grant Program* (Senate Bill Section 6113, No equivalent House Bill provision), **Savings of less than \$50 million.**

### **Miscellaneous**

- *Interactions with Medicare Advantage Payments* – **Savings of \$500 million**
- *Interactions with Premium Receipts* – **Cost of \$800 million**

## **Title VI—Medicaid and SCHIP**

The conference report includes a net savings of \$4.758 billion from the Medicaid program over five years. (The Senate and House Bill Section numbers are provided for reference only – the conference provision may not be identical to either the Senate or House provision.)

### **Subtitle A**

- *Section 6001 – Federal Upper Payment Limit for Multiple Source Drugs and Other Payment Provisions* (Senate Bill Section 6001, House Bill Section 3101), **Savings of \$3.585 billion**
- *Section 6002 – Collection and Submission of Utilization Data for Certain Physician Administered Drugs* (Senate Bill Section 6004, House Bill Section 3102), **Savings of \$70 million**
- *Section 6003 – Improved Regulation of Drugs Sold Under a New Drug Application Approved Under Section 505(c) of the Federal Food, Drug, and Cosmetic Act (Authorized Generics)* (Senate Bill Section 6003, House Bill Section 3103), **Savings of \$150 million**
- *Section 6004 – Children’s Hospital Participation in Drug Discount Program* (No equivalent Senate Bill provision, House Bill Section 3104), **Savings of \$50 million**
- *Section 6011 – Revisions to Look-Back and Penalty Provisions for Long-Term Care* (Senate Bill Section 6011, House Bill Section 3111), **Savings of \$1.475 billion**
- *Section 6012 – Disclosure and Treatment of Annuities and Large Transactions* (Senate Bill Section 6011 and House Bill Section 3112), **Savings of \$278 million**
- *Section 6013 – Application of Income-First Rule in Applying Community Spouse’s Income Before Assets in Providing Support of Community Spouse* (No equivalent Senate Bill provision, House Bill Section 3113), **Savings of \$89 million**

- *Section 6014 – Disqualification for Long-Term Care Assistance for Individuals with Substantial Home Equity* (No equivalent Senate Bill provision, House Bill Section 3114), **Savings of \$300 million**
- *Section 6015 – Enforceability of Continuing Care Retirement Communities and Life Care Community Admission Contracts* (No equivalent Senate Bill provision, House Bill Section 3115), **Savings of \$79 million**
- *Section 6016 – Additional Revisions to Asset Transfer Rules* (Senate Bill Section 6011, No equivalent House Bill provision), **Savings of \$182 million**
- *Section 6021 – Expansion of State Long-Term Care Partnership Program* (Senate Bill Section 6012, House Bill Section 3133), **Cost of \$30 million**
- *Section 6031 – Limitation on Use of Contingency Fee Arrangements* (Senate Bill Section 6022, No equivalent House Bill provision), **Cost of \$1 million**
- *Section 6032 – Encouraging the Enactment of State False Claims Acts* (Senate Bill Section 6023, No equivalent House Bill provision), **Savings of \$25 million**
- *Section 6033 – Employee Education About False Claims Recovery* (Senate Bill Section 6024, No equivalent House Bill provision), **Savings of \$7 million**
- *Section 6034 – Prohibition on Restocking and Double-Billing of Prescription Drugs* (Senate Bill Section 6025, No equivalent House Bill provision), **Savings of less than \$50 million.**
- *Section 6035 – Medicaid Integrity Program* (Senate Bill Section 6026, No equivalent House Bill provision), **Cost of \$529 million**
- *Section 6036 – Enhancing Third Party Identification and Payment* (Senate Bill Section 6021, House Bill Section 3144), **Savings of \$570 million**
- *Section 6037 – Improved Enforcement of Documentation Requirements* (No equivalent Senate Bill provision, House Bill Section 3145), **Savings of \$220 million**
- *Section 6041 – State Option for Alternative Medicaid Premiums and Cost Sharing* (No equivalent Senate Bill provision, House Bill Sections 3121 and 3126), **Savings of \$960 million**
- *Section 6042 – Special Rules for Cost Sharing for Prescription Drugs* (No equivalent Senate Bill provision, House Bill Section 3122), **Savings of \$960 million**

- *Section 6043 – Emergency Room Copayments for Non-Emergency Care* (No equivalent Senate Bill provision, House Bill Section 3123), **Savings of \$10 million**
- *Section 6044 – Use of Benchmark Packages* (No equivalent Senate Bill provision, House Bill Section 3124), **Savings of \$1.25 billion**
- *Section 6051 – Managed Care Organization Provider Tax* (Senate Bill Section 6033, House Bill Section 3142), **Savings of \$435 million**
- *Section 6052 – Reforms of Case Management and Targeted Case Management Services* (Senate Bill Section 6031, House Bill Section 3146), **Savings of \$760 million**
- *Section 6053 – FMAP Adjustments* (Senate Bill Sections 6032 and 6037, House Bill Sections 3148 and 3205), **Cost of \$125 million**
- *Section 6054 – DSH Allotment for the District of Columbia* (Senate Bill Section 6035, No equivalent House Bill provision), **Cost of \$100 million**
- *Section 6055 – Increase in Medicaid Payments to Insular Areas* (No equivalent Senate Bill provision, House Bill Section 3141), **Cost of \$140 million**
- *Section 6062 – Opportunity for Families of Disabled Children to Purchase Medicaid Coverage for Such Children (Family Opportunity Act)* (Senate Bill Section 6042, No equivalent House Bill provision), **Cost of \$1.38 billion**
- *Section 6063 – Demonstration Projects Regarding Home and Community-Based Alternative to Psychiatric Residential Treatment Facilities for Children* (Senate Bill Section 6043, No equivalent House Bill provision), **Cost of \$36 million**
- *Section 6064 – Development and Support of Family-to-Family Health Information Centers* (Senate Bill Section 6044, No equivalent House Bill provision), **Cost of \$11 million**
- *Section 6065 – Restoration of Medicaid Eligibility for Certain SSI Beneficiaries* (Senate Bill Section 6045, No equivalent House Bill provision), **Cost of \$105 million**
- *Section 6071 – Money Follows the Person Rebalancing Demonstration* (Senate Bill Section 6061, No equivalent House Bill provision), **Cost of \$340 million**
- *Section 6081 – Medicaid Transformation Grants* (No equivalent Senate Bill provision, House Bill Section 3143), **Cost of \$150 million**

- *Section 6082 – Health Opportunity Accounts (Medicaid HSAs)* (No equivalent Senate Bill provision, House Bill Section 3134), **Cost of \$64 million**
- *Section 6083 – State Option to Establish Non-Emergency Medical Transportation Program* (No equivalent Senate Bill provision, House Bill Section 3125), **Savings of \$55 million**
- *Section 6084 – Extension of Transitional Medical Assistance (TMA) and Abstinence Education Program for Calendar Year 2006*, **Cost of \$761 million**
- *Section 6085 – Emergency Services Furnished by Non-Contract Providers for Medicaid Managed Care Entities* (No equivalent Senate Bill provision, House Bill Section 3147), **Savings of \$50 million**
- *Section 6086 – Expand Access to Home and Community-Based Services for the Elderly and Disabled* (No equivalent Senate Bill provision, House Bill Section 3131), **Cost of \$770 million**
- *Section 6087 – State Option to Operate Cash and Counseling Programs* (No equivalent Senate Bill provision, House Bill Section 3132), **Cost of \$100 million**

#### **Subtitle B**

- *Sections 6101-6103 – SCHIP Provisions and SCHIP Interactions* (Senate Bill Sections 6051, 6053 and 6054, No equivalent House Bill provisions), **Cost of \$20 million**

#### **Subtitle C**

- *Section 6201 – Additional Federal Payments Under Hurricane-Related Multi-State Section 1115 Demonstrations* (Sections 6032 and 6071, House Bill Sections 3100 and 3201), **Cost of \$2.0 billion**
- *Section 6202 – State High Risk Health Insurance Pool Funding* (No equivalent Senate Bill provision, House Bill Section 3202), **Cost of \$80 million**
- *Section 6203 – Implementation Funding*, **Cost of \$60 million**

### **Title VII—Human Resources and Other Provisions**

**Temporary Assistance for Needy Families (TANF) and Child Care Funding –** Reauthorizes TANF through FY 2010 at its current funding level (\$16.9 billion annually). The bill provides an additional \$1 billion for child care over five years (\$2.917 billion annually).

**Participation Rate** – The 1996 welfare reform act (P.L. 104-193) contemplated that all states would meet a 50-percent participation rate by 2002. Because the current caseload reduction credit (CRC) is calibrated to 1995, most states have an actual participation rate standard of zero. States currently achieve their CRC because of their ability to count a decade-old caseload decline. The conference report updates the CRC to the more relevant date of 2005, thereby ensuring that the intent of the 1996 welfare reform act is realized. Includes separate state programs in work calculation, closing a loophole. The bill does not change the current-law standard of 30 hours and maintains the separate 20-hour standard for adults with a child six years of age and under. Bill maintains current-law activities, including 12 months allowed for education and training, are also maintained. The measure leaves it to the states to determine whether activities may be counted as work activities, how to count and verify reported hours of work, etc.

**Marriage and Family Grants** – The conference report provides \$100 million annually for healthy marriage promotion, and \$50 million annually for the promotion of responsible fatherhood. These grants can be used to provide information on the value of marriage, conflict resolution, relationship skills and financial management. Increasing healthy two-parent marriages is a proven means to reduce poverty and improve child well-being.

**Child Support Enforcement** – The conference report includes provisions that increase states' ability to improve child support collection. Under current law, much of the child support that is owed to families on welfare is assigned to the state. The DRA conference agreement would allow \$423 million owed to families on and those who have left welfare to go directly to those families – a significant improvement over current law. The conference report does prevent states from “double dipping” by using federal funds to draw down additional matching federal funds for child support.

**Child Welfare** – The conference report provides \$100 million for grants to ensure the safety, permanence and well-being needs of children are met in a timely manner, and to provide for the training of judges, attorneys and other legal personnel in child welfare cases. The measure also provides an increase of \$200 million for the Safe and Stable Families program. The purpose of this program is to enable states to develop, establish, or expand, and to operate coordinated programs of community-based family support services, family preservation services, time-limited family reunification services, and adoption promotion and support services. The conference agreement also includes a clarification of foster-care eligibility as well as a provision relating to the Rosales case, in which the 9th Circuit Court of Appeals overturned longstanding federal law and broadened eligibility for federal foster care benefits to include almost every child in foster care in the affected states, instead of only children removed from low-income homes. The DRA conference agreement includes a provision restoring longstanding federal policy in the affected states, ensuring the same policy nationwide.

## **Title VIII—Education and Pension Benefit**

### **Higher Education Provisions:**

**Student Loan Interest Rates** – Fixes borrower interest rates at 6.8 percent. Fixes parent interest rates at 8.5 percent. Effective date for both provisions is July 1, 2006.

**Lender Rebate** – Requires lenders to rebate to the Federal government the difference between the borrower rate and the lender rate when the borrower rate exceeds the lender rate.

**Federal Fund Deposit** – Requires guaranty agencies to deposit a 1 percent insurance fee into the Federal fund, from funds paid from the borrower or from other sources.

**School as Lender Program** – Restricts the use of funds under the “school as lender” program from the sale of loans for need-based aid. In this very narrow program in which schools can also act as lenders, the potential for a conflict of interest arises when schools making loans stand to benefit financially from increases in student debt. No new schools will be permitted to enter this arrangement, and to protect student interests, additional restrictions will be applied to schools already participating to ensure proceeds are directed to need-based aid.

**Administrative Account** – Shifts the administrative account (Sec. 458) from the mandatory to discretionary side of the budget.

**Fixes Student Loan Loophole** – Eliminates the recycling of 9.5 percent loans and extends the limitations already in effect under the Taxpayer-Teacher Protection Act (P.L. 108-409). In 1980, recognizing that tax-exempt bonds generally return less than taxable bonds, Congress established the special allowance payments (SAP) on student loans originated from proceeds of tax-exempt bonds to be half the SAP on loans financed by taxable bonds but not less than 9.5%. This was done at a time when interest rates were much higher. Now that interest rates are much lower, the guaranteed 9.5 percent floor is no longer justified.

**Reducing Loan Fees** – Reduces borrower origination fees by .50 percent for each award year through 2010, at which time borrower origination fees in both programs are eliminated.

**Increasing Loan Limits** – Loan limits for first-year students were last adjusted in 1986 and in 1992 for second-year students. Increases loan limits for first and second year students to \$3,500 and \$4,500 respectively, and increases graduate borrowing limits to \$12,000. Does not increase aggregate borrowing limits. Reauthorizes the Federal Family Education Loan Program (FFELP) through 2008.

**Increases Income Protection Allowances and the Auto-Zero amounts** – Reduces Asset Conversion Rate. The income protection allowance gives students credit for working during school. The asset conversion rate changes give students incentives to save for school. To make it easier for the neediest students to participate in federal student aid programs, the proposal will simplify and expand eligibility for use of the “simplified needs test” and

Automatic Zero Expected Family Contribution to determine how much aid a family qualifies to receive.

**Permits graduate students to borrow PLUS loans** – Currently, these are variable rate loans available to parents of dependent undergraduate students. Graduate students will for the first time be able to access these loans, which allow borrowing up to the cost of attendance to provide a new resource to help finance graduate study.

**Provides deferment for military personnel** – Active duty members of the military may receive loan deferment, meaning payments are not required and interest will not accrue when serving.

**Eliminates in-school and “super-two-step” consolidations** – Currently, Direct Loan (DL) borrowers may consolidate any eligible loans that have been fully disbursed even if the borrowers have not yet entered a repayment or grace period (i.e., the borrower may still be in their in-school period when consolidating). The “super two-step” was the ability of students to refinance a consolidation loan by consolidating out of FFELP into Direct Lending, then back out of DL to a FFELP loan.

**Clarifies title IV provisions for clock-hours institutions** – Clock hours (like credit hours) are used to measure length of instruction.

**Distance Learning** – Eliminates the “50 percent” rule for institutions offering distance education programs. The 50 percent rule required schools offering distance education to enroll less than half of their students in distance programs, and to offer half of their courses in person, capping how much distance education can be offered by any institution.

**Financial Reporting** – Requires lenders to report information to major credit bureaus, but does not require the lender to report borrower’s status.

**Increasing Grant Aid for Students Studying Math and Science** – Creates a new program that awards Academic Competitiveness Grants (for first or second academic year) and SMART grants (for third and fourth academic year) to PELL eligible students in an undergraduate program of study. Students in their first and second years may receive awards of \$700 and \$1300 respectively, provided they have completed a rigorous program of study at the secondary level. Undergraduate students in their third and fourth year may receive up to \$4,000 in grant aid if they major in a math or science subject, or foreign language determined to be critical for national security, and make progress toward a degree. *\$4.53 billion in spending over 5 years.*

## **Title IX—LIHEAP**

The conference report appropriates to the Secretary of Health and Human Services a one-time only expenditure of \$1 billion for FY2007 for the Low-Income Home Energy Assistance Program. The provision will sunset after September 30, 2007. The

Congressional Budget Office estimates that this budget authority will result in \$625 million in outlays.

## **Title X—Judiciary**

**Increase Court Filing Fees** – The conference report increases the fees for filing a civil action in federal district courts to \$350, from \$250; and increases the fee for filing an appeal in a federal appeals court to \$450, from \$250. It also increases filing fees in bankruptcy courts. Combined, the Congressional Budget Office estimates that the combined savings will be \$553 million.

### **Cost**

The Budget Committee, in consultation with the Congressional Budget Office, preliminarily estimates the bill **would reduce federal outlays** by \$39.675 billion over the 2006-2010 period, and \$101.6 billion over 10 years.